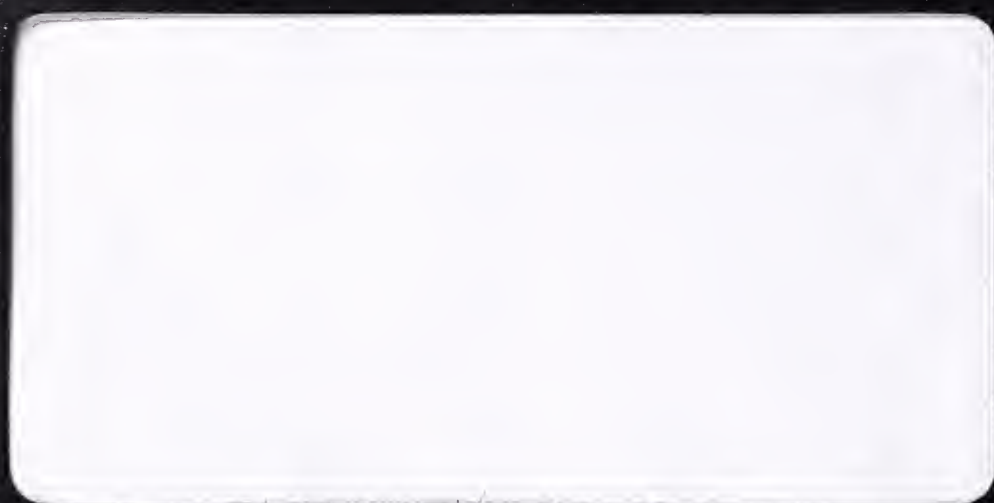


IBM

North Bay Trading Area  
Market Analysis

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North Bay Trading Area  
Market Analysis

August 9, 1991

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# IBM NORTH BAY TRADING AREA

## MARKET ANALYSIS

August 9, 1991

Prepared by INPUT  
Mountain View, California

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# OVERVIEW

- Introduction & Methodology
- Quantitative Analysis
  - Market Definitions - North Bay Trading
  - Market Sizes
  - Market Growth
  - Key Vertical Industries
  - Growth in Vertical Industries
- Observations
- IBM Practice Offerings
- High Potential Offerings - INPUT's View
- Conclusions/Discussion

# INTRODUCTION/METHODOLOGY

## ***STUDY OBJECTIVES:***

- Size product/service markets - North Bay
- Identify large/high-growth industry sectors
- Assess target product/service opportunities

## ***SCOPE:***

- Software and Professional Services markets
- Includes Systems Integration & Systems Operations
- San Francisco, Contra Costa, Alameda, Marin, Solano and San Mateo counties
- Excludes Federal Information Services markets

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# METHODOLOGY

## ***MARKET SIZING:***

- Based on 1990 - 1995 INPUT market forecast
- Factored by county-level industry demographics
- Adjusted for local industry compute intensity

## ***MARKET FORECASTS:***

- Utilize INPUT 1990 - 1995 national growth rates
- Factored for local compute intensity by industry
- Include cross-industry as well as industry-specific product/service opportunities



## GROUND RULES

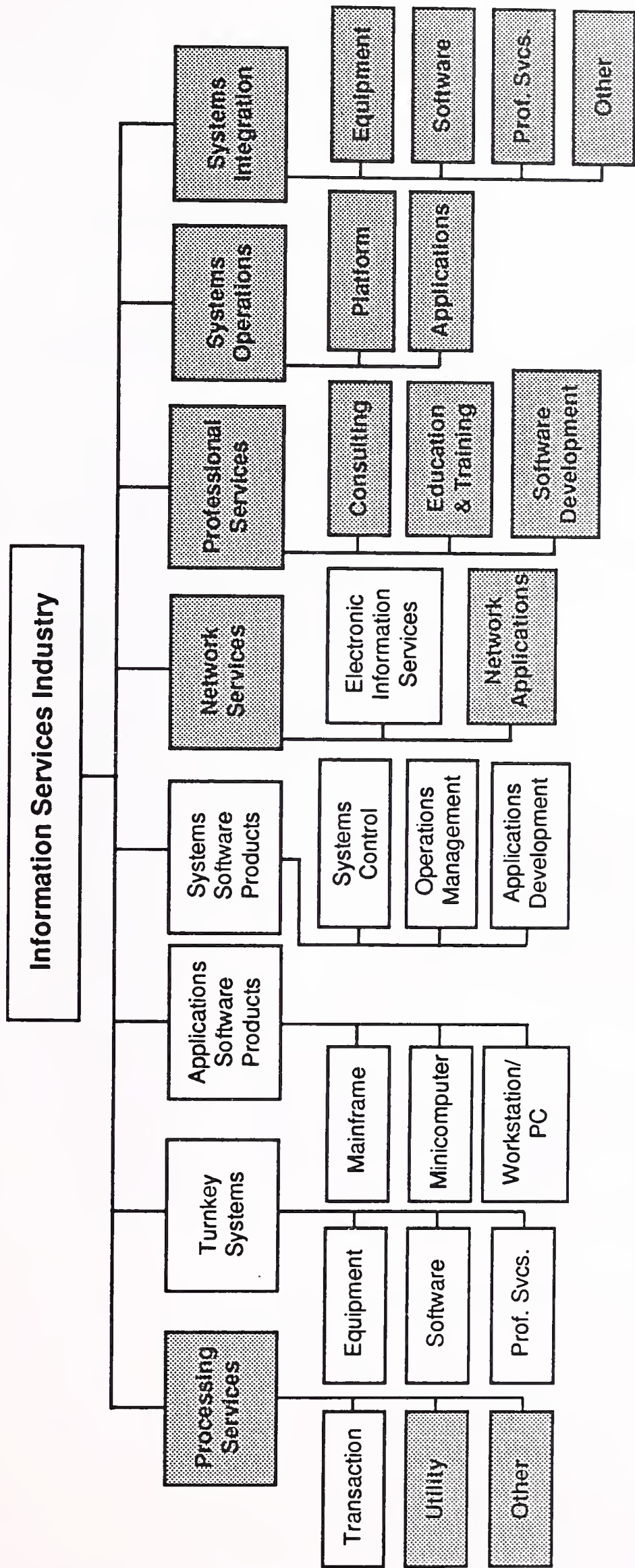
- All market sizes should be considered plus or minus 15%.
- Percentage ranges for forecasts should be considered within (+/-) 2 %.
- Recommendations are based on this analysis of market sizes coupled with other Bay Area research not conducted as part of this study.

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## MARKET SIZES/FORECASTS

- North Bay Trading Area definitions
- User expenditures
  - Total California market
  - North Bay
  - IBM North Bay
  - IBM North Bay - minus software products
  - Professional Services
- Growth rates - overall market
- Growth rates - product area
- Growth rates - major industry sectors

# Information Services Industry Structure—1991



 = Market segments covered in study.

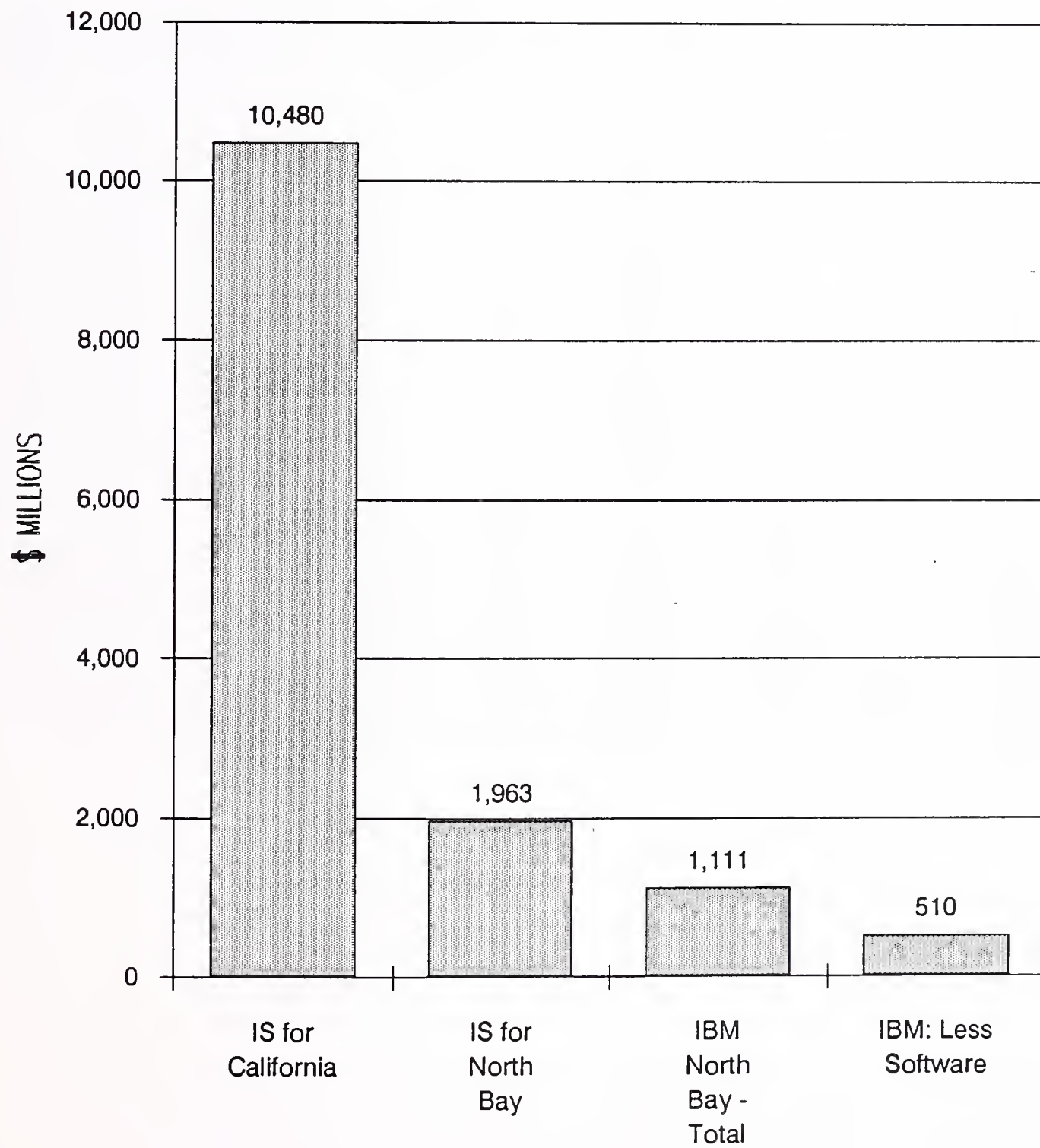
## SERVICE/PRODUCT MAP

INPUT Delivery Modes	IBM Product Categories
<b>Processing Services</b> <i>Less:</i> Transaction Processing	Business Recovery Services IIN-Dedicated Processors
<b>Professional Services</b> <i>Plus:</i> Systems Integration	Management Consulting Education and Training Systems Development Services Systems Integration Services Design Consultation* SoftwareXell Software Installation Services
<b>Systems Operations</b>	Systems Operations
<b>Network Services</b> <i>Less:</i> Electronic Information	EDI Connectivity Offerings Value-Added Network Services

\* Includes consulting but not hardware for installation planning.



## USER EXPENDITURES FOR INFORMATION SERVICES



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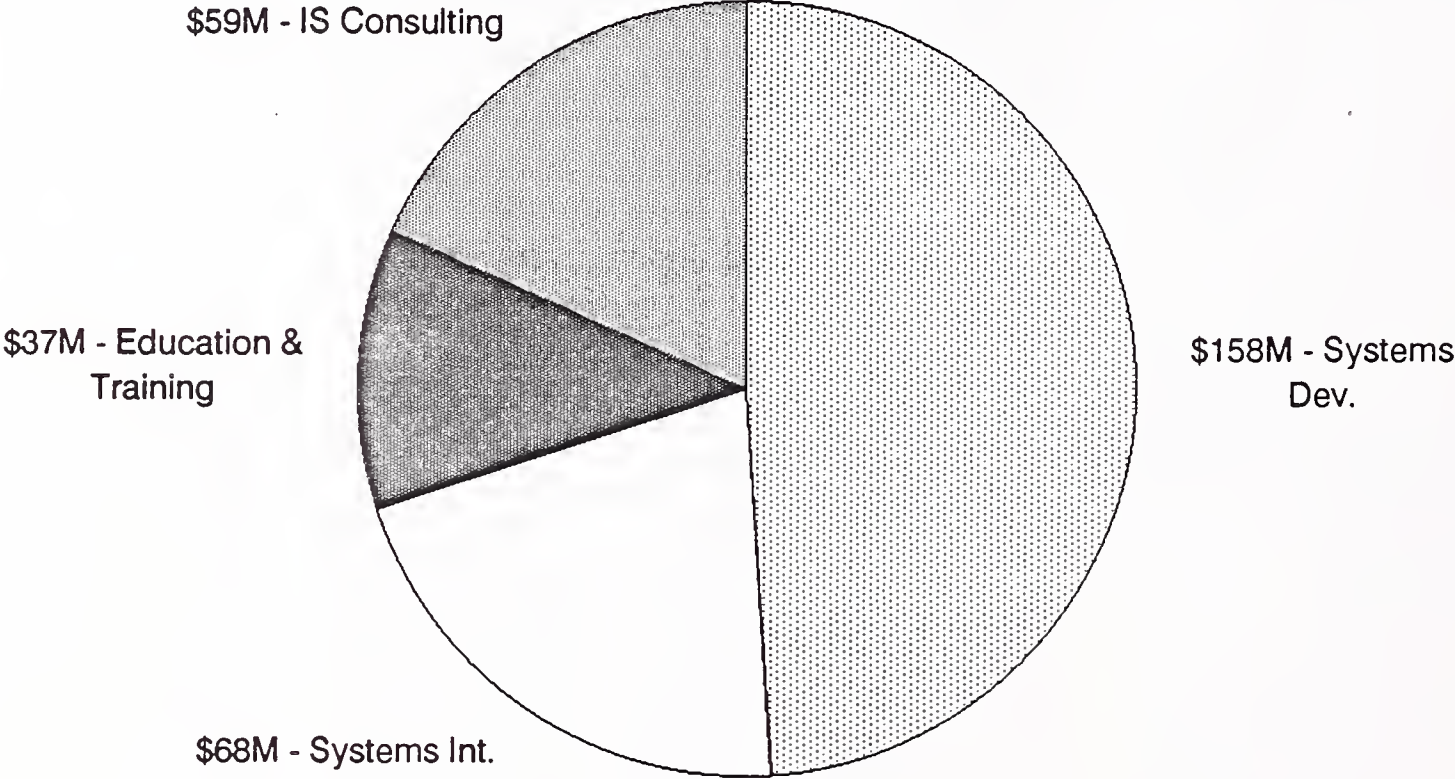
## IBM BAY AREA MARKET INCLUDING SOFTWARE PRODUCTS

	Proc Svcs.	Prof Svcs.	Systems Ops.	Network Svcs.	App. S/W Products	Sys. S/W Products	TOTAL IBM
<b>CATEGORY TOTALS</b>	<b>61</b>	<b>322</b>	<b>114</b>	<b>13</b>	<b>329</b>	<b>272</b>	<b>1111</b>
Discrete Manufacturing	3	69	6	0	44	36	158
Process Manufacturing	3	29	7	1	13	17	70
Transportation	4	9	1	1	17	12	44
Utilities	1	9	1	0	5	4	20
Telecommunications	4	26	2	0	14	17	63
Retail Distribution	1	10	2	1	9	9	32
Wholesale Distribution	1	7	1	3	13	8	33
Banking and Finance	23	63	50	2	100	74	312
Insurance	1	24	12	1	20	15	73
Medical	2	6	11	2	21	14	56
Education	1	3	2	1	23	7	37
Business Services	5	4	0	0	21	15	45
Consumer Services	10	5	1	0	11	14	41
State & Local Gov't.	1	54	18	1	4	21	99
Misc. Industries	1	4	0	0	14	9	28

**IBM BAY AREA MARKET  
EXCLUDING SOFTWARE PRODUCTS**

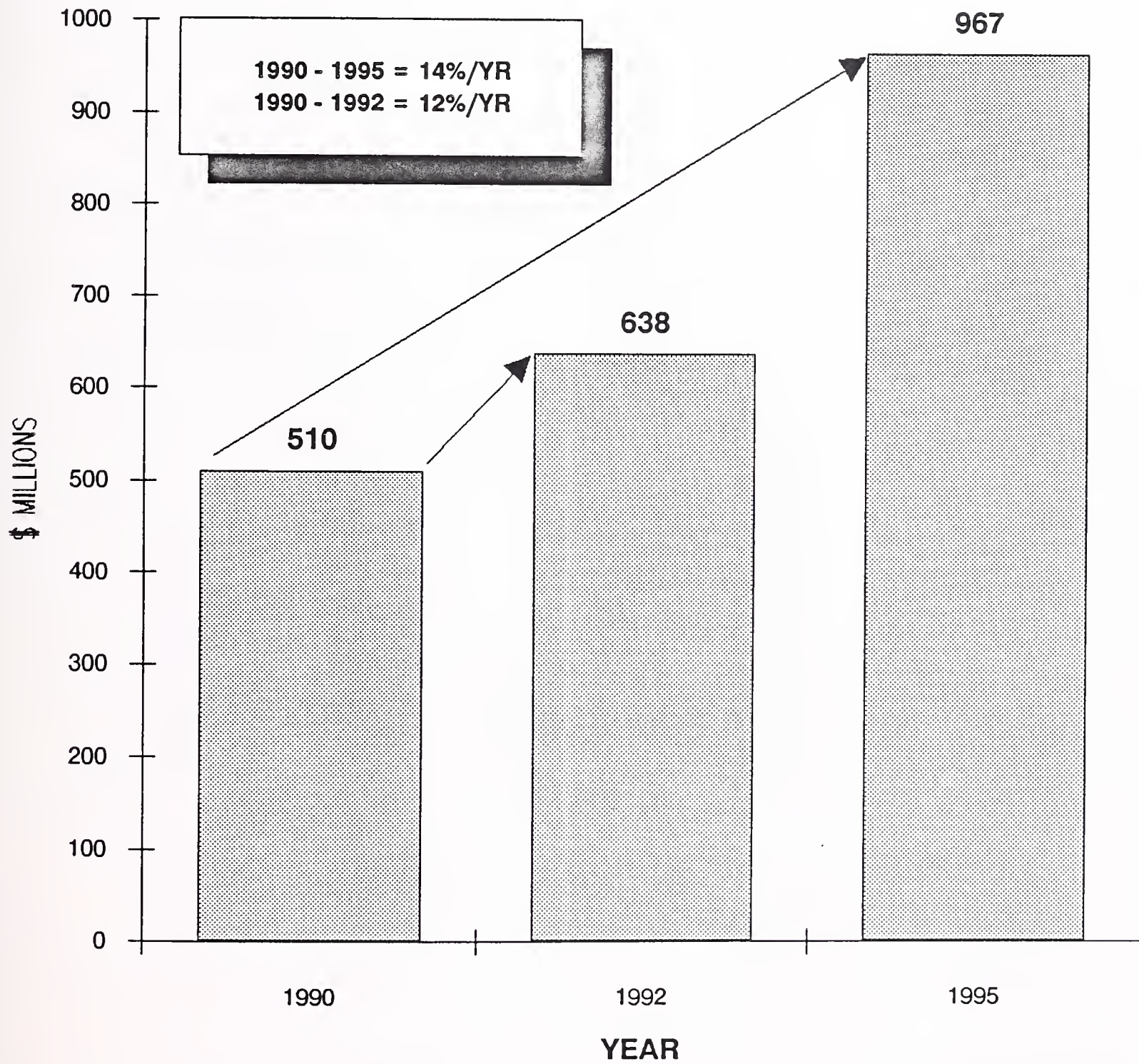
	Proc Svcs.	Prof Svcs.	Systems Ops.	Network Svcs.	<b>TOTAL IBM</b>
<b>CATEGORY TOTALS</b>	<b>61</b>	<b>322</b>	<b>114</b>	<b>13</b>	<b>510</b>
Discrete Manufacturing	3	69	6	0	78
Process Manufacturing	3	29	7	1	40
Transportation	4	9	1	1	15
Utilities	1	9	1	0	11
Telecommunications	4	26	2	0	32
Retail Distribution	1	10	2	1	14
Wholesale Distribution	1	7	1	3	12
Banking and Finance	23	63	50	2	138
Insurance	1	24	12	1	38
Medical	2	6	11	2	21
Education	1	3	2	1	7
Business Services	5	4	0	0	9
Consumer Services	10	5	1	0	16
State & Local Gov't.	1	54	18	1	74
Misc. Industries	1	4	0	0	5

**NORTH BAY PROFESSIONAL SERVICES - \$322 MILLION**

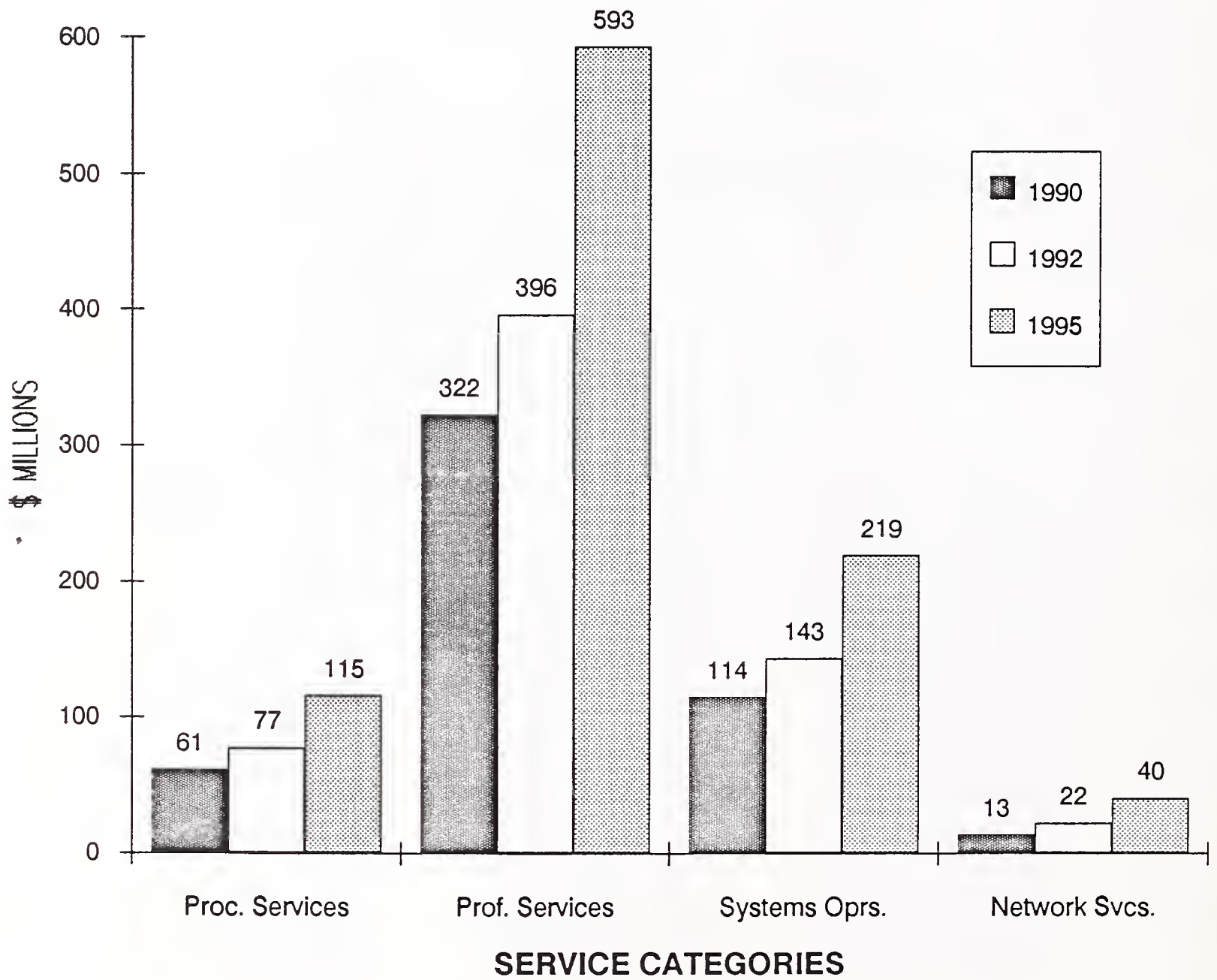




## IBM MARKET GROWTH 1990 - 1995

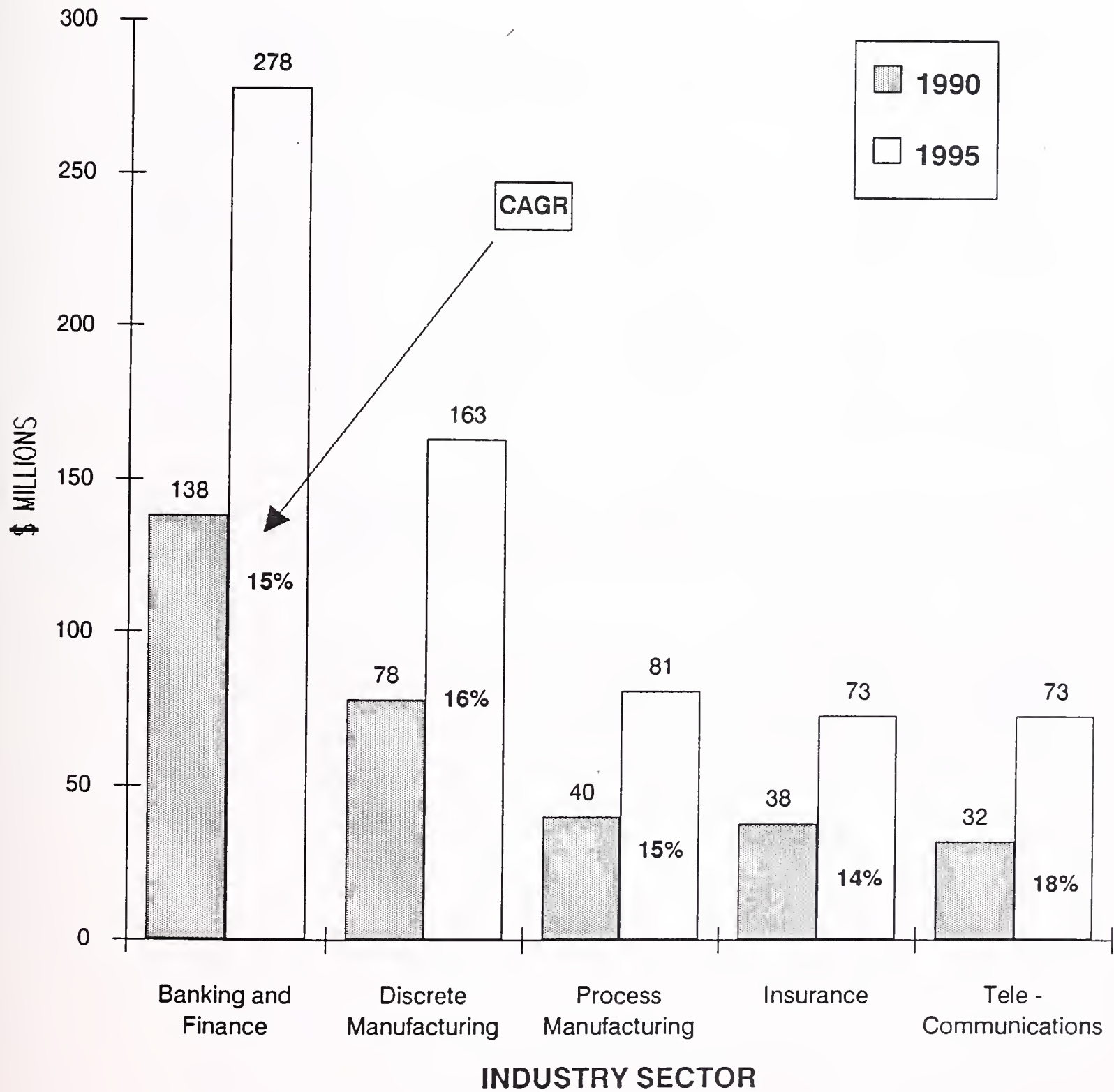


## GROWTH FOR IBM SECTORS





## IBM NORTH BAY MAJOR INDUSTRY SECTOR GROWTH



## OBSERVATIONS

- Key markets are value-added professional services, SI, SO, and related products
- Key vertical markets all have local growth rates above 14%
- Local government may present significant opportunity
- Software products presents a significant revenue drag opportunity
- Network services shows healthy growth rate, but emphasis is for non-proprietary architectures



# IBM CONSULTING PRACTICE OFFERINGS

## ***IS STRATEGY & PLANNING:***

- Good market - requires vertical-industry expertise
- Dominated by traditional consulting firms:  
*(Booz, Index, Nolan & Norton, McKinsey)*
- Targeted by "Big 6"

## ***BUSINESS PROCESS RE-ENGINEERING:***

- Good market - facilitated by vertical specialists
- Competitive group larger than IS Strategy & Planning - Includes Bain & others
- Requires marketing beyond the internal IS function

# IBM CONSULTING PRACTICE OFFERINGS

SYSTEMS MANAGEMENT

APPLICATIONS DEVELOPMENT

NETWORKING SERVICES

- IBM is credible in the marketplace
- Maximizes potential product/services drag
- Requires "open systems" attitude
- Good market for large and medium sized firms

# HIGH POTENTIAL OFFERINGS

## INPUT's VIEW

- Mid-scale systems integration
- Applications operations
- Systems management

*Focused on Specific Vertical Markets*

## MID-SCALE SYSTEMS INTEGRATION

Subject	Description
Offering	Assumption of full management responsibility for the design and implementation of total solutions to client applications requirements Project orientation
Platforms	AS/400, AIX, ES Environments, DEC, Relational DB
Requirements	Consultive sell, vertical/process knowledge, methodology
Markets	Banking & Finance, Manufacturing, Insurance, Telecommunications



# APPLICATIONS OPERATIONS

Subject	Description
Offering	Long-term management of significant applications suites, including migration services to new platforms, etc.
Platforms	Primary focus on IBM platforms to leverage expertise, product drag
Requirements	Re-engineering capabilities, methodology, applications knowledge
Markets	All growing verticals; cross-industry such as accounting, office systems

# SYSTEMS MANAGEMENT

Subject	Description
Offering	Medium to long-term management of user processing facilities and/or applications systems
Platforms	Targeted for IBM or situations where IBM migration has potential
Requirements	Capital and/or in-house processing center, networking capability, or alliances with these capabilities
Markets	Existing customers; industries prone to merger and downsizing, such as banking

## CONCLUSIONS/DISCUSSION

- Key opportunities exist in value-added professional services - "body shop" services not tenable for IBM
- SI/SO offer good opportunities for IBM product drag
- High end consulting a crowded market and will likely require local alliances
- Downsizing trend creates "solution sales" opportunities: AS/400 as server
- Focused offerings critical in environment of limited resources

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# About INPUT

INPUT provides planning information, analysis, and recommendations for the information technology industries. Through market research, technology forecasting, and competitive analysis, INPUT supports client management in making informed decisions.

Subscription services, proprietary research/consulting, merger/acquisition assistance, and multiclient studies are provided to users and vendors of information systems and services. INPUT specializes in the software and services industry which includes software products, systems operations, processing services, network services, systems integration, professional services, turnkey systems, and customer services. Particular areas of expertise include CASE analysis, information systems planning, and outsourcing.

Many of INPUT's professional staff members have more than 20 years' experience in their areas of specialization. Most have held senior management positions in operations, marketing, or planning. This expertise enables INPUT to supply practical solutions to complex business problems.

Formed as a privately held corporation in 1974, INPUT has become a leading international research and consulting firm. Clients include more than 100 of the world's largest and most technically advanced companies.

## INPUT OFFICES

### North America

#### San Francisco

1280 Villa Street  
Mountain View, CA 94041-1194  
Tel. (415) 961-3300 Fax (415) 961-3966

#### New York

Atrium at Glenpointe  
400 Frank W. Burr Blvd.  
Teaneck, NJ 07666  
Tel. (201) 801-0050 Fax (201) 801-0441

#### Washington, D.C.

INPUT, INC.  
1953 Gallows Road, Suite 560  
Vienna, VA 22182  
Tel. (703) 847-6870 Fax (703) 847-6872

### International

#### London

INPUT LTD.  
Piccadilly House  
33/37 Regent Street  
London SW1Y 4NF, England  
Tel. (071) 493-9335 Fax (071) 629-0179

#### Paris

INPUT SARL  
24, avenue du Recteur Poincaré  
75016 Paris, France  
Tel. (33-1) 46 47 65 65 Fax (33-1) 46 47 69 50

#### Frankfurt

INPUT LTD.  
Sudetenstrasse 9  
D-6306 Langgöns-Niederkleen, Germany  
Tel. (0) 6447-7229 Fax (0) 6447-7327

#### Tokyo

INPUT KK  
Saida Building, 4-6  
Kanda Sakuma-cho, Chiyoda-ku  
Tokyo 101, Japan  
Tel. (03) 3864-0531 Fax (03) 3864-4114





